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TO RUEHC/SECSTATE WASHDC PRIORITY 4910
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RUEHRI/AMCONSUL RIO DE JANEIRO 1747
RUEHSO/AMCONSUL SAO PAULO 6610
RUEHBU/AMEMBASSY BUENOS AIRES 3877
RUEHAC/AMEMBASSY ASUNCION 5299
RUEHMN/AMEMBASSY MONTEVIDEO 6125
RUEHSG/AMEMBASSY SANTIAGO 5392
RUEHPE/AMEMBASSY LIMA 2896
RUEHCV/AMEMBASSY CARACAS 3162
RUEHQT/AMEMBASSY QUITO 1753
RUEHLP/AMEMBASSY LA PAZ 4441
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SUBJECT: BRAZIL - DIGITAL TELEVISION: NEXT STEPS AFTER THE MARCH 17
DVC

¶1. (SBU) Summary. Reporting on Ambassador Gross' Digital Video Conference (DVC) advocating adoption of the ATSC digital television standard focused primarily on the questions raised regarding the reliability of the European and Japanese "offers" to build a semiconductor factory in Brazil and highlighted the idea that construction of factories ought to follow market forces and not the edicts of government. The media viewed our message as a critique of the European and Japanese standards. News articles also noted the constant evolution of digital technology, and that the ATSC Forum is looking for partners. In addition, some editorials criticized Minister of Communications Helio Costa's vocal advocacy for the Japanese standard. While Minister Costa probably has had too much press exposure on the issue, the ATSC Forum has had too little. Brazilian journalists and the GOB as well simply refuse to accept the premise that the choice of the new standard shall be based on its merits--not the number of free trinkets thrown in. End Summary.

BRAZILIAN HYPERSENSITIVITY

¶2. (U) Media reporting of Ambassador David Gross' March 17 Digital Video Conference (DVC) with the Brazilian journalists focused on the Ambassador's doubts about European and Japanese "promises" to invest in a semiconductor plant. Most outlets interpreted this skepticism as implicit criticism of the Brazilian government's decision making process, which for better or worse, centers around gaining a commitment to construct a USD 2-3 billion semiconductor factory in Brazil.

MARKET FORCES

¶3. (U) The media reflected the Ambassador's message that economic development -- in this case in the form of building factories -- must be market-driven. Most papers highlighted Ambassador Gross' pointed comment that the adoption of a hemispheric-wide standard would be the best way to make television and equipment manufacturing

installations in Brazil viable, adding that Canada and Mexico have already adopted the ATSC standard. The media also noted Ambassador Gross' statement that constant evolution of the digital television technology means the ATSC companies are looking for partnerships in the region, which could provide opportunities for Brazilian technological development. Finally, the media understood that U.S. engagement on the issue has also been market-driven and that USG involvement is ongoing.

COSTA SUPPORT HURTING THE JAPANESE

¶4. (SBU) Minister Costa's continued and vocal support for the Japanese standard is one of the reasons the ATSC standard has been portrayed as being in a distant third place. However, according to a March 18 editorial in the conservative daily, "O Estado de Sao Paulo," Costa's support for the Japanese has become a liability for the Japanese companies involved. The editorial linked Costa's support of the Japanese to his failed political ambitions, stating, "Considering that his chances are slim to run for governor of Minas Gerais, he needs to use a Plan B, which is to remain in the ministry to become the Minister of digital television." It quoted a Japanese company representative as saying, "The worst thing is that we have nothing to do with the Minister's attitude. His defense of ISDB (the Japanese standard) is so passionate that it ends up hurting us. He could be a little more discreet." The press also linked Costa's support for the standard to his former employer, TV Globo, which favors the ISDB. However, Costa defended his position, noting that TV Globo needs no sponsor and that the "Brazilian standard will not be simply European, American or Japanese. We are using different components of the three standards." Finally, Costa criticized the U.S. for "spending USD 1.5 billion on subsidies" for decoders, something the GoB would not do.

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COMMENT

¶5. (SBU) The recognition that industrial development is market-driven is definitely a step in the right direction for the media in Brazil, which still embraces the concept of government-led development. However, the portrayal of our message as an attack on Brazil's selection process, and implicitly on the GoB, with the USG offering nothing new, is a concern. More worrisome still, however, is the portrayal of the ATSC financing package. The media here simply refuses to understand that the USD 150 million in OPIC loans/guarantees is only part of a possible finance package.

¶6. (SBU) In our view, the effective game-playing on this issue by Brazilian officials has been ongoing and, although the exact timetable for decision remains unknown, it more than likely will continue until mid-year, and perhaps later. The longer deliberations take, the better off ATSC will be. Now is not the time for the ATSC forum to be reticent. A comprehensive media campaign by the ATSC Forum will have to be a necessary complement to USG advocacy. End Comment.

¶7. (U) Charge would like to express his appreciation to Ambassador Gross, his staff and USDOC for their continuing efforts on this difficult issue.

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